GOVERNMENT OF INDIA
STEEL
LOK SABHA

UNSTARRED QUESTION NO:6071
ANSWERED ON:05.05.2003
RECONSTRUCTION PACKAGE FOR STEEL INDUSTRY
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Will the Minister of STEEL be pleased to state:

(a) whether the Government have come out for any reconstruction package for Steel Industries including Steel Authority of India Limited (SAIL) in the month of January, 2003;

(b) if so, the details thereof;

(c) whether all major steel plants, Government and private have performed badly during the last two years;

(d) if so, the details thereof;

(e) whether the Steel Ministry and Finance Ministry are coordinating among themselves;

(f) if so, whether various financial institutions have agreed to bring down the rate of interest on old loans;

(g) if so, the details about the recently announced package of lowering of interest provision of subsidies in this regard;

(h) whether it will benefit the private steel industries also; and

(i) if so, the extent to which it is likely to be helpful to save India`s Steel Industry?

Answer

MINISTER OF STATE IN THE MINISTRY OF STEEL (SHRI BRAJA KISHORE TRIPATHY)

(a) No, Sir.

(b) Does not arise.

(c)&(d): No, Sir. While the performance of the public sector steel plants and some of the private sector steel plants was affected during 2001-02 due to a variety of factors such as low demand, excess capacity of steel production, decline in steel prices, high cost of input materials, etc., their performance improved considerably during 2002-03 resulting in reduced losses in the case of SAIL from Rs. 1707 crores in 2001-02 to about Rs. 550 crores in 2002-03 and turnaround in the case of RINL from a net loss of Rs. 75 crores incurred in 2001-02 to an expected net profit of Rs. 450 crores in 2002-03. The performance of the private sector companies has also generally improved in 2002-03 as compared to 2001-02.

(e) to (i): Under the aegis of the Corporate Debt Restructuring (CDR) mechanism instituted by the Reserve Bank of India, the CDR Empowered Group has worked out a package for the steel Industry which provides for writing down of equity by the borrowers, furnishing of personal guarantees, fixing rate of interest of rupee loans at 14% per annum against higher document rate, conversion of compound interest over dues into zero coupon debentures, conversion of part of the loan into equity capital, etc. Essar Steel Ltd., Ispat Industries Ltd. and Jindal Vijaynagar Steel Ltd. in the private sector have availed of the arrangements under this package. The CDR mechanism is expected to improve the financial health of the companies that avail of the benefits of debt restructuring provided for under this mechanism.